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BUSINESS NEWS ANALYSIS REPORT

Capital Market News

Stocks rebound on incentive hopes

Major indices of Bangladesh's stock market yesterday bounced back from a two-day fall as investors were buoyed by hopes of market-friendly measures in the upcoming national budget for fiscal 2022-23. The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), added 15 points, or 0.24 per cent, to end the trading session at 6,484. Similarly, turnover of the country's premier bourse rose to Tk 916 crore from Tk 739 crore a day earlier thanks to a 24 per cent increase in investor participation. Dhaka stocks rebounded after a two-day break as bargain hunters showed some buying interest in lucrative sector-

wise stocks, International Leasing Securities said in its daily market review.

Investors are anticipating some incentives in the national plan for the next fiscal year and so, more of them are participating in the market ahead of the budget proposal, it added. Among the sectors, ceramics rose 4.6 per cent, mutual funds increased 2.7 per cent and textiles advanced 1.3 per cent. Investor activity was mostly focused on general insurance (11.4 per cent), textiles (10.3 per cent) and engineering (9.7 per cent).

Meanwhile, DS-30, the blue-chip index, and DSES, the shariah based index, advanced 3 points and 2 points respectively. At the DSE, 190 stocks rose, 149 fell and 40 remained unchanged. Meghna Insurance topped the gainers list, rising 10 per cent, while Shinepukur Ceramics, CAPM

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BDBL Mutual Fund One, CAPM IBBL Islamic Mutual Fund, and Metro Spinning also placed in the top five.

Sonar Bangla Insurance shed the most, dropping 2 per cent, while Eastern Lubricants Blenders, CVO Petrochemical Refinery, Desh General Insurance, and Bangladesh Monospool Paper Manufacturing were among other companies in the loser tally. Beximco Ltd became the most traded stock with shares worth Tk 56 crore changing hands followed by Shinepukur Ceramics, Fu-Wang Food, Provati Insurance, and IPDC Finance.

<https://www.thedailystar.net/business/economy/stock/news/stocks-rebound-incentive-hopes-3042861>

Industry News

Banks' provision shortfall widens

The provisioning scenario of banks in Bangladesh further deteriorated in the first quarter of this year for an increase in default loans, an indication of the banking industry's health having worsened. Provision shortfall widened to Tk 14,746 crore in March, up 180 per cent year-on-year and 5 per cent from that three months ago, according to data from Bangladesh Bank. Provision shortfall occurs when a financial obligation exceeds the amount of cash available. It can be temporary, arising out of a unique set of circumstances, or persistent, indicating poor financial management practices.

Banks have to earmark 0.50 per cent to 5 per cent of their operating profit in provisioning against general category loans, 20 per cent against classified loans of substandard category, and 50 per cent against classified loans of doubtful category. It has to set aside 100 per cent of classified loans of bad or loss category from the profits as provisioning. The provisioning situation may further worsen as default loan figures are expected to jump higher this year as the central bank in December last year lifted a loan classification relaxation policy.

The central bank maintained a moratorium facility for borrowers throughout 2020. As a result, banks did not reclassify the credit status of borrowers, bringing non-performing loans (NPLs) down to Tk 88,734 crore, a decrease of 6 per cent from that of 2019.

The BB also continued running the loan relaxation policy until last year, helping banks contain non-performing loans significantly.

Under the policy, borrowers were allowed to avoid slipping into the default zone in exchange of depositing only 15 per cent of the total instalments payable last year.

Default loans in banks surged 19.3 per cent year-on-year to Tk 113,441 crore in the first quarter of 2022. Between January and March, the shortfall rose due to the lacklustre performance of eight banks, which had a combined deficit of Tk 20,863 crore. The banks are Agrani, Basic, Janata, Rupali, Bangladesh Commerce, Mutual Trust, National Bank and Standard Bank.

Some of the banks which are now facing shortfalls earlier had suffered widespread loan scams. Of the lenders, Janata Bank faced the highest provision shortfall of Tk 8,136 crore mainly due to a large scam taking place at the bank in the last couple of months. Some persons and entities such as AnonTex and Crescent groups earlier siphoned off a large amount of funds from Janata Bank in the name of taking loans, dealing a blow to the financial health of the lender.

<https://www.thedailystar.net/business/economy/banks/news/banks-provision-shortfall-widens-3041106>

Economy News

Budget 2022-23: Bet on poor, future

What is the purpose of the national budget? In essence, it is to allocate scarce resources. Deal with it wisely and not only would it bear fruit in the immediate future but also ensure more resources to spend for the future and more

wealth to enjoy for all. More than halfway into his tenure as the finance minister, AHM Mustafa Kamal has flattered to deceive in his handling of the budget.

But today, as he unveils his fourth budget in the backdrop of a cost of living crisis and looming LDC graduation, he has the floor to demonstrate that he has acquired a firm reading on the economy and knows precisely what to serve -- for now and for the future. For starters, there has to be a life raft for the millions of people struggling to keep their heads above water.

As many as 2.1 million have plunged into poverty for the runaway inflation since September last year, according to a survey by the Power and Participation Research Centre and the Brac Institute of Governance and Development on urban slums and rural areas. Those people were just seeing their livelihoods bounce back with the reopening of the economy after roughing it for the best part of the past two years.

The middle-class is not doing any better given the gas price increase and the impending hike in electricity and water tariffs. Already, savings in the economy is at a five-year low as per the preliminary GDP data for this fiscal year, indicating people have been cashing in on their rainy day funds to get by. This is truly an exceptional emergency and the budget for fiscal 2022-23 -- which, coincidentally, closes a few months before the next national election -- must have measures to address it even though those would come off as short-term political fixes.

For the poorest, there needs to be allocation in the budget to provide

them with cash support of more than Tk 2,500. In April, inflation hit an 18-month high of 6.29 percent, and given the raging Russia-Ukraine war and the weakening taka, the price level is unlikely to come down to a tolerable level anytime soon. But the government is not entirely powerless in managing the pain.

For a brief period, the duties and taxes on the essentials, most of which are imported, can be withdrawn to hold back their prices. In that way, the government would be extending universal support and snuffing out any fumes of stagflation, which is a scenario in which prices keep soaring while economic growth slumps. But going forward, there needs to be an effective, long-term policy to protect the poorest from shocks.

If anything, the pandemic and global inflation have underscored the need to strengthen the underlying system so that fewer people are on the verge of a crisis the whole time. At the same time, the 74-year finance minister must not lose sight of Bangladesh's graduation from the least-developed country bracket in 2026, for which groundworks are still in the rudimentary stage.

The preparations must take off in full swing from the incoming fiscal year, and it begins by investing in human resources. The learning loss brought on by the 73-week school closure in Bangladesh, which was among the longest in the world, stands to take 4.9 percent off GDP by 2030, according to a recent study by the Asian Development Bank.

<https://www.thedailystar.net/business/economy/national-budget/news/bet-poor-future-3042611>

Taka rises, 1 USD now Tk 91.5

The local currency today appreciated Tk 0.50 to Tk 91.5 against the US dollar at the interbank platform after facing a consistent slide in the last couple of months. This might be a temporary phenomenon as the country's foreign exchange market is still under pressure due to the shortage of US dollar, a Bangladesh Bank official said. The central bank today injected \$124 million into the market to offset the greenback shortage in the market.

A record \$6.59 billion has been injected into the market between July 1 and June 8 this fiscal year, according to data from the Bangladesh Bank. Despite that, the foreign exchange market is still facing a shortage of US dollars due to soaring import payments and declining remittance.

The country's import payments have shot up since the end of last year because of the rising price of commodities in the global market. The pent-up demand after the height of the Covid-19 pandemic initially played a pivotal role in pushing up commodity prices. The pandemic had disrupted the global supply chain, deepening the crisis. Besides, the Russia-Ukraine war has worsened the situation further. Against this backdrop, the country's import payments escalated in recent months, creating an immense pressure on the taka against the dollar.

<https://www.thedailystar.net/business/news/taka-rises-1-usd-now-tk-915-3042546>

Exporters to pay higher source tax

Although exporters of all sectors are going to enjoy 10 per cent

(green businesses) and 12 per cent (non-green businesses) corporate tax in line with garment makers, source tax on export proceeds is likely to double to 1 per cent from the next fiscal year. The existing 0.5 per cent source tax has been in place for the last couple of years, according to the National Board of Revenue. The move comes against the backdrop of businesses showing interest in importing gold after the government framed a gold policy in 2018 to bring the gold trade under a regulatory framework. Officials expect that the tax waiver would help the jewellery market to flourish and increase the state's revenue collection.

<https://www.thedailystar.net/business/economy/news/exporters-pay-higher-source-tax-3042911>

Company News

Meghna Insurance makes debut

Meghna Insurance Company makes its debut trading today (Wednesday) under the 'N' category, a disclosure said. The Bangladesh Securities and Exchange Commission (BSEC) approved the company's IPO (initial public offering) proposal on March 1 last under the fixed price method. As per the regulatory approval, Meghna Insurance Company raised a capital worth Tk 160 million from the capital market offloading 16 million shares of Tk 10 each.

The company will utilise the fund for investment in fixed deposits (Tk 95.25 million), investment in the capital market (Tk 32 million), and investment in treasury bond

(Tk 24 million), along with catering the IPO expenses (Tk 8.75 million). The company has reported its net asset value (NAV) of Tk 16.41 (without revaluation) as per the audited financial statement for the year ended on March 31, 2021. The earnings per share (EPS) was Tk 1.83 for a three-month period that ended on March 31, 2021, while the weighted average EPS for the last five years was Tk 0.56.

The pre-IPO paid-up capital of Meghna Insurance Company is Tk

240 million, while the authorised capital is Tk 1.0 billion. Asian Tiger Capital Partners, Prime Bank Investment and UCB Investment jointly worked as issue managers of the company's IPO. As per the BSEC condition, the company will not be allowed to recommend any dividend before its listing on the bourses. Currently, 53 insurance companies -- life and non-life -- are listed on the capital market. After the listing of Meghna Insurance Company, the number of listed insurers will stand at 54.

<https://thefinancialexpress.com.bd/story/meghna-insurance-makes-debut-today-1654664706>

Price Sensitive News

Trading Code: PRIMEINSUR

News Title: PRIMEINSUR: Price Limit Open

News: There will be no price limit on the trading of the shares of the Company today (09.06.2022) following its corporate declaration.

Post Date: 2022-06-09

Trading Code: PRIMEINSUR

News Title: PRIMEINSUR: Dividend Declaration

News: The Board of Directors has recommended 15% cash dividend for the year ended December 31, 2021. Date of AGM: 31.07.2022, Time: 11:00 AM, Venue: Digital Platform. Record Date: 12.07.2022. The Company has also reported EPS of Tk. 2.01, NAV per share of Tk. 18.63 and NOCFPS of Tk. 4.12 for the year ended December 31, 2021 as against Tk. 1.31, Tk. 17.62 and Tk. 4.54 respectively for the same period of the previous year.

Post Date: 2022-06-09

Trading Code: UNIONINS

News Title: UNIONINS: Q1 Financials

News: (Q1 Un-audited): EPS was Tk. 0.59 for January-March 2022 as against Tk. 0.63 for January-March 2021. NOCFPS was Tk. 0.76 for January-March 2022 as against Tk. 0.79 for January-March 2021. NAV per share was Tk. 15.98 as on March 31, 2022 and Tk. 15.39 as on December 31, 2021.

Post Date: 2022-06-09

Trading Code: UNIONINS

News Title: UNIONINS: Dividend Declaration

News: The Board of Directors has recommended 5% cash dividend for the year ended December 31, 2021. Date of AGM: 19.09.2022, Time: 12:00 PM, Venue: Digital Platform. Record date: 20.07.2022. The Company has also reported EPS of Tk. 1.58, NAV per share of Tk. 15.39 and NOCFPS of Tk. 2.06 for the year ended December 31, 2021 as against Tk. 2.14, Tk. 17.39 and Tk. 5.26 respectively for the same period of the previous year.

Post Date: 2022-06-09

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